

G

Financing and Other

Reserve

Description	FY 2002 Approved	FY 2003 Proposed	% Change
Operating Budget	\$120,000,000	\$70,000,000	-41.7

The Reserve was established in FY 2000 to protect the District against unforeseen expenditure needs and shortfalls in revenues.

The Reserve was set at \$150 million in FY 2000 and FY 2001. Pursuant to the District of Columbia Appropriations Act for FY 2002, Public Law 107-96, the budgeted Reserve was reduced from \$150,000,000 to \$120,000,000 in FY 2002 and to \$70,000,000 in FY 2003. Congress reduced the budgeted Reserve requirement because the city has increased its cash reserves.

Local Funds

The proposed FY 2003 operating budget for the Reserve is \$70,000,000, a reduction of \$50,000,000 from the \$120,000,000 approved in FY 2002. There are no FTEs associated with the Reserve. The Reserve is funded entirely from local funds.

Did you know...

The Reserve was established in FY 2000.

The Reserve requirement has been lowered because the District has increased its cash reserves.

The Reserve will be eliminated in FY 2004 and replaced with a \$50 million cash reserve.

Allocations from the Reserve

These funds may be obligated or expended in accordance with the following conditions:

- The Chief Financial Officer of the District of Columbia shall certify that the amounts are available.
- The amounts shall be obligated or expended in accordance with laws enacted by the Council in support of each such obligation or expenditure.
- The amounts may not be used to fund the agencies or the District of Columbia government under court-ordered receivership.
- The amounts may be obligated or expended only if the Mayor notifies the Committees on Appropriations of the House of Representatives and Senate in writing 30 days in advance of any obligations or expenditure.

Any amount of the Reserve which is expended in one fiscal year shall be replenished in the following fiscal year appropriations to maintain the required balance.

Expenditures from the Reserve are reflected in the actual expenditures of agencies that received the allocations, hence Tables RD0-1 and

2 do not reflect actuals for FY 2000 and 2001.

In FY 2000, the District expended \$26,560,00 from the Reserve to the Office of the Chief Technology Officer for Y2K needs and to D.C. Public Schools for special education costs. In FY 2001, a total of \$104,500,000 was allocated from the Reserve for restructuring the Health Care Safety Net, of which \$91,599,000 was spent in FY 2001 and \$12,901,000 was carried over to FY 2002.

In FY 2002, \$87 million is expected to be allocated from the Reserve as follows: \$60 million to D.C. Public Schools, primarily for Medicaid and special education costs; \$14 million for additional costs related to restructuring the Health Care Safety Net; \$6 million to the

Department of Corrections for medical services for inmates; \$4 million to Workforce Investments for pay raises; and \$3 million to the Office of the Chief Financial Officer for a Medicaid assessment contract.

The requirement for a Reserve has been eliminated starting in FY 2004, and will be replaced by a \$50 million cash reserve that will be in addition to the Emergency and Contingency Reserve funds that the District has already established. (The Emergency and Contingency Reserve funds will equal seven percent of the District's local fund expenditure budget, or \$265 million, by the end of FY 2003.)

Where the Money Comes From

Table RD0-1 shows the source(s) of funding for the Reserve.

Table RD0-1

FY 2003 Proposed Operating Budget, by Revenue Type

(dollars in thousands)

	Actual FY 2000	Actual FY 2001	Approved FY 2002	Proposed FY 2003	Change From FY 2002
Local	0	0	120,000	70,000	-50,000
Gross Funds	0	0	120,000	70,000	-50,000

How the Money is Allocated

Table RD0-2 shows the FY 2003 proposed budget and FTEs for the agency at the Comptroller Source Group level (Object Class level).

Table RD0-2

FY 2003 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

	Actual FY 2000	Actual FY 2001	Approved FY 2002	Proposed FY 2003	Change from FY 2002
Subsidies and Transfers	0	0	120,000	70,000	-50,000
Nonpersonal Services	0	0	120,000	70,000	-50,000
Total Proposed Operating Budget	0	0	120,000	70,000	-50,000

Debt Service

Repayment of Loans and Interest
 Repayment of General Fund Deficit
 Short-Term Borrowings
 Certificates of Participation

Description	FY 2002 Approved	FY 2003 Proposed	% Change
Repayment of Loans and Interest	\$247,902,000	\$267,451,000	7.9
Repayment of Deficit	\$39,300,000	\$39,300,000	0
Short-Term Borrowing	\$500,000	\$1,000,000	100
Certificates of Participation	\$0*	\$7,950,000	N/A

* Payment not budgeted in FY 2002 due to a defeasement plan for FY 2001 that later was not implemented

The mission of Debt Service administration is to exercise fiscally responsible debt management practices to lower the cost of borrowing for the District of Columbia and pay down existing debt as amortized.

In addition to reducing the District's outstanding debt, timely debt service payments are necessary to satisfy the District's commitments to its investors (bondholders and lending institutions) and maintain good credit standing in the financial markets.

Under the District of Columbia Home Rule Act, the District may issue debt to finance capital projects or seasonal cash needs, subject to a limitation that was modified by the 1997 National Capital Revitalization and Self-Government

Improvement Act. Specifically, no long-term (general obligation) debt (other than re-funding of existing debt) may be issued that would cause the payment of principal and interest on all long-term debt to exceed 17 percent of the revenue of the fiscal year in which the debt was issued.

As of September 30, 2001, debt service represented 6 percent of revenue, a decrease from 9.7 percent as of September 30, 2000. The District's total outstanding long-term debt as of September 30, 2001, was \$2.58 billion.

Appropriations are budgeted from Local funds in amounts sufficient to meet the required payments for the various types of debt service. Table 1 shows the source of funding for debt service.

Did you know...

D.C. per capita debt	\$4,682
Debt service as a percent of revenue	6.0
Total long term debt not including WASA debt	\$2,582,017,000

(Source: FY 2001 CAFR page 120)

Where the Money Comes From

Appropriations are budgeted from Local funds, as shown in the tables below.

Table DS0-1

FY 2003 Proposed Operating Budget, by Revenue Type

(dollars in thousands)

Repayment of Loans and Interest

	Actual FY 2000	Actual FY 2001	Approved FY 2002	Proposed FY 2003	Change From FY 2002
Local	315,656	228,364	247,902	267,451	19,549
Gross Funds	315,656	228,364	247,902	267,451	19,549

Table ZD0-1

(dollars in thousands)

Repayment of General Fund Deficit

	Actual FY 2000	Actual FY 2001	Approved FY 2002	Proposed FY 2003	Change From FY 2002
Local	38,343	38,366	39,300	39,300	0
Gross Funds	38,343	38,366	39,300	39,300	0

Table ZA0-1

(dollars in thousands)

Short-Term Borrowings

	Actual FY 2000	Actual FY 2001	Approved FY 2002	Proposed FY 2003	Change From FY 2002
Local	3,002	0	500	1,000	500
Gross Funds	3,002	0	500	1,000	500

Table CP0-1

(dollars in thousands)

Certificates of Participation

	Actual FY 2000	Actual FY 2001	Approved FY 2002	Proposed FY 2003	Change From FY 2002
Local	7,929	7,929	0	7,950	7,950
Gross Funds	7,929	7,929	0	7,950	7,950

How the Money is Allocated

Debt Service is funded through Local funds as shown in the tables below.

Table DS0-2

FY 2003 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

Repayment of Loans and Interest

	Actual FY 2000	Actual FY 2001	Approved FY 2002	Proposed FY 2003	Change from FY 2002
Debt Service	315,656	228,364	247,902	267,451	19,549
Non-personal Services	315,656	228,364	247,902	267,451	19,549
Total Proposed Operating	315,656	228,364	247,902	267,451	19,549

Table ZD0-2

(dollars in thousands)

Repayment of General Fund Deficit

	Actual FY 2000	Actual FY 2001	Approved FY 2002	Proposed FY 2003	Change from FY 2002
Debt Service	38,343	38,366	39,300	39,300	0
<i>Nonpersonal Services</i>	<i>38,343</i>	<i>38,366</i>	<i>39,300</i>	<i>39,300</i>	<i>0</i>
Total Proposed Operating Budget	38,343	38,366	39,300	39,300	0

Table ZA0-2

(dollars in thousands)

Short-Term Borrowings

	Actual FY 2000	Actual FY 2001	Approved FY 2002	Proposed FY 2003	Change from FY 2002
Debt Service	3,002	0	500	1,000	500
<i>Nonpersonal Services</i>	<i>3,002</i>	<i>0</i>	<i>500</i>	<i>1,000</i>	<i>500</i>
Total Proposed Operating Budget	3,002	0	500	1,000	500

Table CP0-2

(dollars in thousands)

Certificates of Participation

	Actual FY 2000	Actual FY 2001	Approved FY 2002	Proposed FY 2003	Change from FY 2002
Rentals - Land and Structures	7,929	0	0	0	0
Debt Service	0	7,929	0	7,950	7,950
<i>Nonpersonal Services</i>	<i>7,929</i>	<i>7,929</i>	<i>0</i>	<i>7,950</i>	<i>7,950</i>
Total Proposed Operating Budget	7,929	7,929	0	7,950	7,950

Local Funds

The proposed Local budget for Repayment of Loans and Interest is \$267,451,000, an increase of \$19,549,000 or 7.9 percent over the FY 2002 budget of \$247,902,000. For Repayment of the General Fund Debt, the Local budget is \$39,300,000, which represents no change from FY 2002. For Short-Term Borrowings, the Local budget is \$1,000,000, which represents an increase of \$500,000 or 100 percent over FY 2002. For the Certificates of Participation, the Local funds budget is \$7,950,000, which represents an increase of \$7,950,000 over FY 2002.

Debt Service represents principal and interest payments associated with the District's financing activities. Consistent with prudent fiscal policies, the District finances the construction or acquisition of capital assets by issuing debt. Debt Service for the District of Columbia includes four different financing methods:

- Repayment of Loans and Interest (DS0) represents debt service costs on long-term general obligation bonds, which are associated with the District's borrowings to finance capital improvement projects for general fund agencies. Included is \$2,000,000 to support \$25 million of additional capital financing for the District of Columbia Public Schools. For FY 2003, the debt service for repayment of loans and interest totals \$267,451,000.
- Repayment of General Fund Deficit (ZD0) represents debt service associated with financing the District's \$331.6 million general fund

deficit accumulated as of the end of FY 1990. The anticipated final repayment of these deficit-reduction bonds will occur in FY 2003. For FY 2003, the debt service for repayment of general fund deficit totals \$39,300,000.

- Short-Term Borrowings (ZA0) represents interest and other costs associated with District borrowings to meet short-term seasonal cash needs. For FY 2003, the debt service for financing costs for short-term borrowing totals \$1,000,000.
- Certificates of Participation (CP0) represents semi-annual lease payments due on land for the One Judiciary Square building located at 441 4th Street, NW. For FY 2003, debt service for the certificates of participation totals \$7,950,000.

Significant changes are:

- An increase of \$19,549,000 in Repayment of Loans and Interest.
- An increase of \$500,000 in financing costs for Short-Term Borrowings attributable to increasing the District's short-term borrowing capability in order ensure adequate cash flow.
- An increase of \$7,950,000 for Certificates of Participation attributable to the payment not being budgeted in FY 2002 because of a defeasement plan for FY 2001 that was not implemented.

**Pro-Forma
Computation of Legal Debt Limitation**
Projected as of the end of FY 2003
(\$000s)

Revenues:

General Fund:	
Total Local Revenues	\$ 3,784,231

Debt Service Expenditures (FY 2003):

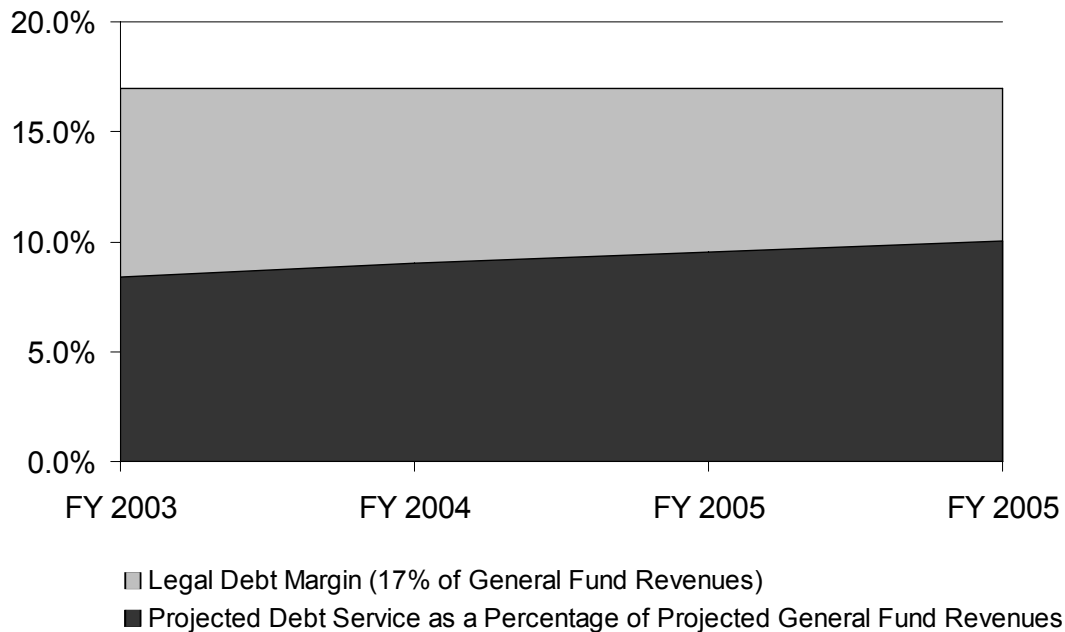
General Fund:	
Principal	\$ 142,037
Interest	\$ 172,663
Total principal and interest (debt service) (FY 2003)	\$ 314,701

Highest future year debt service cost (current obligations)	\$ 335,915
Percentage of highest annual debt service to FY 2003 revenues*	8.88%

* Under the District of Columbia Home Rule Act, no long-term general obligation debt (other than refunding debt) may be issued during any fiscal year in an amount that would cause the amount of principal and interest (debt service) payable in any fiscal year on all outstanding long-term general obligation debt to exceed 17% of the estimated total local revenues of the fiscal year in which the debt is to be issued.

Chart G-1

Computation of Legal Debt Limitation



Settlements and Judgments

Description	FY 2002 Approved	FY 2003 Proposed	% Change
Operating Budget	\$23,450,000	\$22,822,000	-2.7

The mission of the Settlements and Judgments fund is to provide the fiscal resources to settle claims and lawsuits and pay judgments in all types of tort cases against the District of Columbia.

The Office of the Corporation Counsel, in conjunction with the Risk Manager in the Office of the City Administrator, strives to reduce the District's overall level of risk by reducing the District's exposure to adverse situations.

The Settlements and Judgments fund was created out of a need to address increased litigation against the District government over the last 25 years. The fund has been part of the District's annual appropriation for many years.

The Settlements and Judgments fund has been administered by the General Litigation Division located in the Office of the Corporation Counsel because most claims and lawsuits paid out of the fund are handled by this part of the office. Although the fund is the responsibility of the Corporation Counsel, which makes all final decisions about use of the fund, the fund is distinct and separate from the Corporation Counsel's operating budget.

The Office of the Corporation Counsel generally assesses the potential exposure to the District government in cases and claims paid through Settlements and Judgments by reviewing the facts and the applicable law pertinent to the cases. Often other factors are considered,

including the degree of injury to the plaintiff and policy considerations. A recommendation to settle or litigate a case originates with the Assistant Corporation Counsel assigned to the case. Depending on the amount of settlement authority requested, the determination is then reviewed by several supervisors within the Office of the Corporation Counsel. The Corporation Counsel's authority to settle a case is limited to \$500,000; for amounts greater than \$500,000, the settlement decision rests with the Mayor.

The agency plans to fulfill its mission by achieving the following strategic result goals:

- Institute a risk management program for all District executive branch agencies.
- Empower the risk manager, appointed by the Mayor, to oversee these efforts and to coordinate risk management throughout the District from the perspective of prevention and claims investigation.
- Continue the Early Settlement Program implemented in FY 2000 and based in the General Litigation Division in the Office of the Corporation Counsel. The program identifies both claims and lawsuits (based on established criteria for early resolution).

Where the Money Comes From

Table ZH0-1 shows the source of funding for Settlements and Judgments.

Table ZH0-1

FY 2003 Proposed Operating Budget, by Revenue Type

(dollars in thousands)

	Actual FY 2000	Actual FY 2001	Approved FY 2002	Proposed FY 2003	Change From FY 2002
Local	68,166	25,881	23,450	22,822	-628
Gross Funds	68,166	25,881	23,450	22,822	-628

How the Money is Allocated

Table ZH0-2 shows the FY 2003 proposed budget for the agency at the Comptroller Source Group level (Object Class level).

Table ZH0-2

FY 2003 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

	Actual FY 2000	Actual FY 2001	Approved FY 2002	Proposed FY 2003	Change from FY 2002
Other Services and Charges	26,924	25,881	23,450	22,822	-628
Contractual Services - Other	41,242	0	0	0	0
<i>Nonpersonal Services</i>	<i>68,166</i>	<i>25,881</i>	<i>23,450</i>	<i>22,822</i>	<i>-628</i>
Total Proposed Operating Budget	68,166	25,881	23,450	22,822	-628

Local Funds

The proposed Local budget is \$22,822,000, a decrease of \$628,000 or 2.7 percent from the FY 2002 approved budget of \$23,450,000. Settlements and Judgments receives 100 percent of its funding from Local sources.

No FTEs are funded by Local sources, which represents no change from FY 2002.

Significant changes are:

- A decrease of \$500,000 in other services and charges which is being transferred to the Metropolitan Police Department (MPD) to fund a contract between the MPD and the Department of Justice for an independent monitor. This proactive measure is intended to reduce the liability of the District for claims over the use of excessive force against the MPD.

- A decrease of \$128,000 in other services and charges which is being transferred to the Office of Personnel to fund a contract for independent legal investigators for risk management for ADA and sexual harassment claims. This proactive measure will reduce the liability of the District.

Programs

The Office of the Corporation Counsel anticipates approximately 1,620 new lawsuits in FY 2003, the same number the District has handled in the previous two years. Not all of these lawsuits will be tort cases paid from Settlements and Judgments. Likewise, the Corporation Counsel anticipates approximately 2,500 claims to be filed in FY 2003, similar to the previous two years.

John A. Wilson Building Fund

1350 Pennsylvania Avenue, NW

Description	FY 2002 Approved	FY 2003 Proposed	% Change
Operating Budget	\$8,859,349	\$4,194,380	-52.7

The mission of the John A. Wilson Building Fund is to provide an efficient, clean and safe working environment for District employees in a modernized historic building nearly a century old.

Easily accessible to the public, the Wilson Building is an emblem of District pride showcased on the stately Pennsylvania Avenue Federal Triangle corridor, just blocks from the White House.

Culminating a five-year renovation, expansion and restoration, the building re-opened to acclaim in late 2001. Built in 1904 and later named after the long-term District Councilmember, the building had suffered from years of neglect and had to be closed in 1996. But preservation-minded District officials emerged with a re-development plan, and starting in 1996, the Wilson Building underwent renovation based on plans from architect Shalom Baranes. The result is a modern workplace for District government that retains many of its original ornate elements.

Housed in the building are the Executive Office of the Mayor, the District Council, the Office of the Chief Financial Officer, and a number of other District agencies. The Wilson Building will serve the District for many years, while preserving a link to the past.

Did you know...

Constructed	1904
Renovated	1996-2001
Reopened	2001

Where the Money Comes From

Table ZZ0-1 shows the source(s) of funding for the Wilson Building.

Table ZZ0-1

FY 2003 Proposed Operating Budget, by Revenue Type

(dollars in thousands)

	Actual FY 2000	Actual FY 2001	Approved FY 2002	Proposed FY 2003	Change From FY 2002
Local	0	9,897	8,859	4,194	-4,665
Gross Funds	0	9,897	8,859	4,194	-4,665

How the Money is Allocated

Table ZZ0-2 shows the FY 2003 proposed budget for the agency at the Comptroller Source Group level (Object Class level).

Table ZZ0-2

FY 2003 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

	Actual FY 2000	Actual FY 2001	Approved FY 2002	Proposed FY 2003	Change from FY 2002
Rentals - Land And Structures	0	3,638	6,759	2,031	-4,728
Security Services	0	0	2,100	2,163	63
Other Services And Charges	0	4,872	0	0	0
Equipment & Equipment Rental	0	1,387	0	0	0
<i>Nonpersonal Services</i>	<i>0</i>	<i>9,897</i>	<i>8,859</i>	<i>4,194</i>	<i>-4,665</i>
Total Proposed Operating Budget	0	9,897	8,859	4,194	-4,665

Local Funds

The proposed Local budget is \$4,194,380, a decrease of \$4,664,969 or 52.7 percent from the FY 2002 approved budget of \$8,859,349. The budget is comprised totally of nonpersonal services. The significant changes are:

- A decrease of \$4,727,969 in rent, attributed to elimination of contractual charges incurred as part of the transition process to re-occupancy during FY 2001/2002
- An increase of \$63,000 in security, attributed to the need for additional security

Workforce Investments

Description	FY 2002 Approved	FY 2003 Proposed	% Change
Operating Budget	\$42,895,770	\$54,185,774	26.3

The mission of Workforce Investments is to pay compensation increases for non-union and union District employees.

Each year, the District budgets an amount for Workforce Investments for pay raises in the budgeted year that are expected but not finalized. Employees covered and the dollar amounts vary from year to year, depending on which groups have finalized raises and which have raises that are still outstanding. The Office of Budget and Planning develops estimates for the Workforce Investments budget.

Local Funds

The proposed Local budget is \$54,185,774, an increase of \$11,290,004, or 26.3 percent, over the FY 2002 approved budget of \$42,895,770. There are no full-time equivalents (FTEs) supported by this budget, which represents no change from FY 2002.

The significant change is:

- An increase of \$11,290,004 to reflect the total of anticipated increases in compensation.

Programs

This fund contains money to cover labor cost increases that were anticipated but were not yet approved by the Council prior to the Council's approval of the FY 2003 budget. The Office of Labor Relations and Collective Bargaining, within the Office of the City Administrator, is the lead agency in representing the District in union labor negotiations, arbitrations, and other labor matters. The D.C. Office of Personnel is the lead agency for handling pay increases for non-union employees under the pay authority of the Mayor. Once a labor agreement between the District and a union has been reached, or a non-union pay increase is proposed, the Mayor submits the proposals to the Council for consideration. After pay raises are approved by the Council, the appropriate funding is transferred from Workforce Investments to the affected agencies for distribution.

Where the Money Comes From

Table UP0-1 shows the source(s) of funding for the Workforce Investments.

Table UP0-1

FY 2003 Proposed Operating Budget, by Revenue Type

(dollars in thousands)

	Actual FY 2000	Actual FY 2001	Approved FY 2002	Proposed FY 2003	Change From FY 2002
Local	0	0	42,896	54,186	11,290
Gross Funds	0	0	42,896	54,186	11,290

How the Money is Allocated

Table UP0-2 shows the FY 2003 proposed budget for the agency at the Comptroller Source Group level (Object Class level).

Table UP0-2

FY 2003 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

	Actual FY 2000	Actual FY 2001	Approved FY 2002	Proposed FY 2003	Change from FY 2002
Regular Pay - Cont Full Time	0	0	36,461	48,236	11,775
Fringe Benefits - Curr Personnel	0	0	6,434	5,949	-485
<i>Personal Services</i>	<i>0</i>	<i>0</i>	<i>42,896</i>	<i>54,186</i>	<i>11,290</i>
Total Proposed Operating Budget	0	0	42,896	54,186	11,290

Non-Departmental

Description	FY 2002 Approved	FY 2003 Proposed	% Change
Operating Budget	\$5,799,000	\$5,799,000	0

Non-Departmental is designed to account for anticipated costs that cannot be allocated to specific agencies during the development of the proposed budget.

Use of a non-departmental account is a common practice to anticipate Districtwide cost increases while providing the flexibility to project, budget, and allocate these costs.

In FY 2003, the Non-Departmental fund will improve budget formulation through greater recognition of Districtwide cost drivers and by enhanced mechanisms to detect and project changes in these cost drivers.

Local Funds

The proposed Local budget is \$5,799,000, which represents no change from the FY 2002 approved budget. There are no FTEs funded by Local sources, which represents no change from FY 2002.

Programs

For FY 2003, the Non-Departmental fund includes funding for step increases and employee health insurance cost increases.

The FY 2003 budget development manual directed agencies not to budget for step increases in FY 2003 because they are internally financed by the replacement of senior staff with staff com-

pensated at lower levels. For small agencies, however, where staff turnover may not be sufficient to internally finance step increases, \$499,000 is included in the FY 2003 proposed budget for step increases. This funding will be allocated to agencies as needed during FY 2003 based on actual payroll costs and potential deficits identified through the monthly financial review process.

The District of Columbia awarded a new employee health insurance contract that took effect in March 2002. This contract eliminated two providers and added two new ones. Based on uncertain enrollment with these providers -- open-season was in progress during the FY 2003 budget formulation -- \$5,300,000 is included as a contingency. This funding will be allocated to agencies as needed based on actual fringe benefit expenditures during FY 2002, as monitored in the monthly financial review process.

Where the Money Comes From

Table DO0-1 shows the source(s) of funding for Non-Departmental.

Table DO0-1

FY 2003 Proposed Operating Budget, by Revenue Type

(dollars in thousands)

	Actual FY 2000	Actual FY 2001	Approved FY 2002	Proposed FY 2003	Change From FY 2002
Local	0	0	5,799	5,799	0
Gross Funds	0	0	5,799	5,799	0

How the Money is Allocated

Table DO0-2 shows the FY 2003 proposed budget for the agency at the Comptroller Source Group level (Object Class level).

Table DO0-2

FY 2003 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

	Actual FY 2000	Actual FY 2001	Approved FY 2002	Proposed FY 2003	Change from FY 2002
Subsidies and Transfers	0	0	5,799	5,799	0
<i>Nonpersonal Services</i>	<i>0</i>	<i>0</i>	<i>5,799</i>	<i>5,799</i>	<i>0</i>
Total Proposed Operating Budget	0	0	5,799	5,799	0

Tobacco Settlement Trust Fund

Description	FY 2002 Approved	FY 2003 Proposed	% Change
Operating Budget	\$33,254,000	\$10,000,000	-70.0

The mission of the Tobacco Settlement Trust Fund is to provide for the transfer of funds realized through the financing of the Master Settlement Agreement (MSA) with the tobacco industry.

In November 1998, the District, together with 46 state governments and other jurisdictions, signed an agreement that ended a four-year battle over medical treatment costs incurred for smoking-related illnesses. Under the MSA, tobacco companies are scheduled to pay \$253 billion over 25 or more years. The receiving governments may use the funds for any purpose, including issuance of revenue bonds.

In FY 2001 the District securitized its settlement payments in exchange for a lump-sum payment to repay existing long-term debt and thereby generate relief from that debt service.

The 2001 District of Columbia Appropriations Act, as amended, required that all debt service savings resulting from the securitization of the tobacco settlement funds be transferred to the Emergency fund each year until the fund is fully funded (equaling four percent of the local expenditure budget), enabling use of these funds for the District's purposes during FY 2003.

Where the Money Comes From

Table TT0-1 shows the source(s) of funding for the Tobacco Settlement Trust Fund.

Table TT0-1

FY 2003 Proposed Operating Budget, by Revenue Type

(dollars in thousands)

	Actual FY 2000	Actual FY 2001	Approved FY 2002	Proposed FY 2003	Change From FY 2002
Local	0	0	33,254	10,000	-23,254
Gross Funds	0	0	33,254	10,000	-23,254

How the Money is Allocated

Table TT0-2 shows the FY 2003 proposed budget for the agency at the Comptroller Source Group level (Object Class level).

Table TT0-2

FY 2003 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

	Actual FY 2000	Actual FY 2001	Approved FY 2002	Proposed FY 2003	Change from FY 2002
Subsidies And Transfers	0	0	33,254	10,000	-23,254
<i>Nonpersonal Services</i>	<i>0</i>	<i>0</i>	<i>33,254</i>	<i>10,000</i>	<i>-23,254</i>
Total Proposed Operating Budget	0	0	33,254	10,000	-23,254

In FY 2003, the funds available from the Tobacco Settlement Trust Fund will be \$50,867,430. The fund plans to fulfill its mission by funding the following program investments:

- \$49,867,430 will be transferred to the Medicaid and Special Education Reform Fund (see agency MR0) which ensures adequate resources are available to support District-wide Medicaid costs.

Availability of funding for these programs is contingent upon the agencies submission of a savings plan, certified by the Chief Financial Officer. The plan must identify future savings

comparable to the funds allocated in the proposed FY 2003 budget.

- \$1,000,000 will be allocated to the Department of Health to support tobacco control programs.
- In addition to these transfers, a deposit of \$10,000,000 has been budgeted for the fund in FY 2003 for investment purposes.

One-Time Expenditures

Description	FY 2002 Approved	FY 2003 Proposed	% Change
Operating Budget	\$0	\$16,750,000	N/A

The proposed FY 2003 operating budget for the One-Time Expenditures fund is \$16,750,000. This fund is new for FY 2003 and has been established as a budget stabilization measure to allow the District to spend funds on necessary items to improve service delivery for residents while not expanding the base budget. All expenditures from this fund, with the exception of \$5 million, will be for one-time costs. There are no FTEs associated with the fund.

The \$5 million exception will be used as a contingency to cover unanticipated costs incurred by three public safety agencies (the Metropolitan Police Department, the Fire and Emergency Medical Services Department, and the Department of Corrections) and the Child and Family Services Agency.

Specific expenditures covered with money from this fund must be determined and certified by the District's Chief Financial Officer by the third quarter of FY 2003.

In addition to the \$5 million contingency, \$6 million has been earmarked from the fund that includes \$3 million for the University of the District of Columbia, \$2 million for a substance abuse program, and \$1 million for a smoking cessation program if the Department of Mental Health cannot certify Medicaid providers by January 1, 2003.

The Mayor and Council will determine other uses of the fund on an as-needed basis.

Where the Money Comes From

Table TE0-1 shows the source(s) of funding for One-Time Expenditures.

Table TE0-1

FY 2003 Proposed Operating Budget, by Revenue Type

(dollars in thousands)

	Actual FY 2000	Actual FY 2001	Approved FY 2002	Proposed FY 2003	Change From FY 2002
Local	0	0	0	16,750	16,750
Gross Funds	0	0	0	16,750	16,750

How the Money is Allocated

Table TE0-2 shows the FY 2003 proposed budget for the agency at the Comptroller Source Group level (Object Class level).

Table TE0-2

FY 2003 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

	Actual FY 2000	Actual FY 2001	Approved FY 2002	Proposed FY 2003	Change from FY 2002
Subsidies And Transfers	0	0	0	16,750	16,750
<i>Nonpersonal Services</i>	0	0	0	16,750	16,750
Total Proposed Operating Budget	0	0	0	16,750	16,750

Emergency Preparedness

Description	FY 2002 Approved	FY 2003 Proposed	% Change
Operating Budget	\$16,058,000	\$15,000,000	NA

The Emergency Preparedness Fund is designed to cover District government expenses directly related to public safety events occurring in the District that create the threat or potential threat to residents, businesses, and visitors. Such events may occur in the District of Columbia because it serves as the seat of the Federal government, and differ from events or activities directly solicited by the District government. Following the terrorist activities in September 2001, the President of the United States proposed the designation of an emergency preparedness account to reimburse the District government for costs of public safety expenses related to National Special Security Events in the District of Columbia and for the costs of providing support to respond to immediate and specific terrorist threats or attacks in the District or surrounding jurisdictions.

For FY 2003, the President has proposed a federal payment to the District of Columbia of \$15,000,000 for an Emergency Preparedness Fund, to reimburse the District for costs associat-

ed with National Special Security Events in the District of Columbia and for response activities to immediate and specific terrorist threats or attacks in the District or surrounding jurisdictions.

Funding for an emergency preparedness account must be approved by Congress. Members of Congress, including Congresswoman Eleanor Holmes Norton and Congresswoman Constance Morella, are proposing alternative language to the President's bill which, if passed, could increase the amount of funding for the emergency preparedness account and broaden the language to provide reimbursement to the District for a variety of events besides terrorist activities occurring in the District of Columbia because it serves as the seat of the Federal government. If approved, this alternative proposal would reimburse the District for public safety activities related to demonstrations, terrorist attacks, and related events occurring in the District.

Where the Money Comes From

Table EP0-1 shows the source(s) of funding for Emergency Preparedness.

Table EP0-1

FY 2003 Proposed Operating Budget, by Revenue Type

(dollars in thousands)

	Actual FY 2000	Actual FY 2001	Approved FY 2002	Proposed FY 2003	Change From FY 2002
Local	0	0	16,058	15,000	-1,058
Gross Funds	0	0	16,058	15,000	-1,058

How the Money is Allocated

Table EP0-2 shows the FY 2003 proposed budget for the agency at the Comptroller Source Group level (Object Class level).

Table EP0-2

FY 2003 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

	Actual FY 2000	Actual FY 2001	Approved FY 2002	Proposed FY 2003	Change from FY 2002
Subsidies And Transfers	0	0	16,058	15,000	-1,058
Non-personal Services	0	0	16,058	15,000	-1,058
Total Proposed Operating Budget	0	0	16,058	15,000	-1,058